



# Franchise Tax Board At a Glance

[www.ftb.ca.gov](http://www.ftb.ca.gov)

## History

**I**n 1929, the Legislature created the office of the Franchise Tax Commissioner to administer California's new Bank and Corporation Franchise Tax Act. This was the first agency created for tax administration since the 1879 adoption of the state Constitution. Before that, the State Board of Equalization and the State Controller administered all tax programs.

In 1950, California abolished the office of the Franchise Tax Commissioner and created the Franchise Tax Board that we know today. Board members are the state controller, the director of the Department of Finance, and the chair of the State Board of Equalization. The chief administrative official is the executive officer of the Franchise Tax Board.

Members of the Franchise Tax Board include:

Steve Westly, Chair

John Chiang, Member

Michael C. Genest, Member



## Background

**O**ur main job at the Franchise Tax Board is to administer California's Personal Income and Corporation Tax Laws. Over the years we have also been given added responsibility to administer certain non-tax programs such as the Homeowner and Renter Assistance Program, Political Reform Act audits, and certain non-tax collection programs such as delinquent vehicle registration and court-ordered debt.

In administering these programs, we assist you in many ways. We offer tax help around-the-clock through our toll-free telephone assistance line and by using the wealth of information on our Website. You can also visit us at one of our six field offices, located throughout the state, during normal business hours. We hope this brochure gives you some history about our department and serves as a guide to the many resources we offer.



## Our Mission

The purpose of the FTB is to:

- Collect the proper amount of tax revenue, and operate other programs entrusted to us, at the least cost.
- Serve the public by continually improving the quality of our products and services.
- Perform in a manner warranting the highest degree of public confidence in our integrity, efficiency, and fairness.

## Your Rights as a Taxpayer

We want your experience with us to be as helpful, courteous, and convenient as possible. Our goal is to make certain we protect your rights so that you will have the highest confidence in the integrity and fairness of our state tax system.

*The California Taxpayers' Bill of Rights* (FTB 4058C) comprehensive guide includes information on your rights as a California taxpayer, the Taxpayer Advocate Program, and how you can request written advice from us. You can order FTB 4058C by calling us or downloading it from our Website.



# Serving the Public by Continually Improving the Quality of Our Products and Services

What follows is a brief description of the major programs we administer.

## Personal Income Tax

Each year, Californians file more than 15.8 million state personal income tax returns. The Personal Income Tax program generates more than \$42.4 billion each year.

California taxes residents on their income from all sources while nonresidents are taxed on income derived from California sources. The California tax form starts with the federal adjusted income and then provides adjustments between federal and state tax laws.

## Business Tax

Corporations and businesses file more than 1 million returns each year, generating more than \$12.4 billion annually. They pay a franchise tax for the privilege of doing business in the state. The corporation income tax is imposed on businesses that, while not doing business in this state, receive income from sources in this state. Combined, the tax programs comprise 65 percent of the state's general fund.

California follows the unitary method of taxation for businesses that receive income from both within and outside of California. If two or more corporations are engaged in a unitary business and derive income from sources within and outside of California, the members of the unitary group that are subject to California's franchise or income tax must apportion the combined income of the entire unitary group to compute their tax.

## Homeowner and Renter Assistance

The Franchise Tax Board (FTB) administers the Homeowner and Renter Assistance Program that provides a once-a-year state payment to eligible individuals. This program benefits seniors 62 years of age or older and disabled or blind individuals. Participants' maximum yearly household income is adjusted each year for inflation. In 2004, their household income could not have exceeded \$39,699. The program is based on property

taxes paid directly by homeowners and indirectly by renters. Qualified homeowners may receive up to \$472.60 and qualified renters may receive up to \$347.50.

For the 2004/2005 fiscal year, we processed more than 610,000 Homeowner and Renter Assistance claims, which totaled more than \$182 million in payments.

## Non-Tax Collections

In addition to income tax liabilities, the FTB pursues debts owed to state and local governments. As authorized by governing legislation, FTB provides collection services to collect on delinquent:

- Vehicle Registration.
- Court-Ordered Debt.
- Fines imposed for labor law violations.

## Interagency Intercept Collections

We operate the Interagency Intercept Collection Program in conjunction with the State Controller's Office. Many Californians owe money to other government agencies. Ironically, at the same time, they may have a refund due from us. Since 1975, we have been intercepting the tax refunds of people who owe delinquent amounts to other California state and local agencies. In 1985, the Legislature empowered us to also intercept California Lottery prizes. Once intercepted, the refunds and lottery prizes are redirected to the agencies owed the debts.

## Political Reform Act Audits

The Political Reform Audit Program came into existence as result of the Political Reform Act of 1974, a post-Watergate reform measure passed by the voters of California to improve disclosure and accountability of political entities. This Program is a separate, non-tax audit program of the FTB that has conducted political reform audits since 1975. The Program works closely with the

Fair Political Practices Commission, the Secretary of State, and local filing officers.

Although the Political Reform Audit Program is a part of the FTB, departmental policy prohibits any exchange of information with other department programs.

## Tax Gap

The tax gap is the difference between the total amount of taxes California taxpayers owe based on their income and amount that they pay.

Unfortunately, not everybody pays all the tax they should. This not only short-changes funding for public services; it undermines the sense of equity honest taxpayers have in their tax system. It also places an unfair burden on businesses that pay all their taxes and try to compete with businesses that evade their tax obligations. The FTB conducts and it pursues nonfilers, and has an active collection program to ensure that all taxes owed are paid.

In spite of this, estimates say California taxpayers still owe each year \$6.5 billion more in taxes than they pay. To target this gap, the FTB initiated several new activities in 2005/2006 fiscal year:

- Targeting abusive tax shelters--current estimates say the state loses \$500 million annually through these shelters.
- Increasing the number of criminal prosecutions of egregious tax evaders and publicizing them to gain maximum deterrent value.
- Acquiring additional income records both to find non-filers and underreporters.
- Using new methods to detect fraud by tax preparers and charging them penalties.

Our system of voluntary tax compliance depends on our citizens believing the

tax system is fair and equitable to all. Although we will never be able to completely close the state's tax gap, we are confident we can greatly reduce it through a balanced approach of education and outreach combined with a responsible amount of stepped-up enforcement action.

## Easier Filing Methods

File for free with *CalFile*. The FTB's *CalFile* service provides 6.3 million California taxpayers with a simple, direct, and convenient way to e-file their tax return.

The qualifications include any filing status with income up to \$280,000. *CalFile* accommodates many income sources beyond W-2 wages such as interest, dividends, alimony, and IRA distributions. Taxpayers claiming the Renter's Credit and the Child and Dependent Care Expenses Credit qualify. Taxpayers who itemize their deductions can use it as well as taxpayers claiming the senior or blind exemption credit.

*CalFile* performs math calculations, tax table look-up functions, and checks for simple processing errors. The benefits of using e-file are: quick refunds within seven days, accurate return preparation, a paperless process, and acknowledgement that we received the return. *CalFile* is available through October 17, 2006. Access our Website at [www.ftb.ca.gov](http://www.ftb.ca.gov) and go to the *CalFile* page.

For other e-file services, you can go to [www.ftb.ca.gov](http://www.ftb.ca.gov) to locate Web-based tax preparation software or you may purchase software at the store. Most software products use a question-and-answer format and provide help buttons when you are not sure how to answer. All software companies provide a completed tax return to print and keep for your records. Some companies offer free e-filing to taxpayers who meet certain requirements—be sure to check it out.

If you use a tax preparer, chances are good that they will e-file for you. See the list of IRS/FTB approved e-file providers on our Website.

## Direct Deposit

Choose direct deposit and have your refund deposited into your bank account quickly—within five-seven days—if you e-file.

## Web Pay

Whether you e-file or file by mail, you can pay your personal income taxes (balance due, extension payment, estimated tax payment, or tax bill) online by requesting an electronic funds withdrawal from your bank account. You choose the date, on or before April 17, 2006. There's nothing to mail!

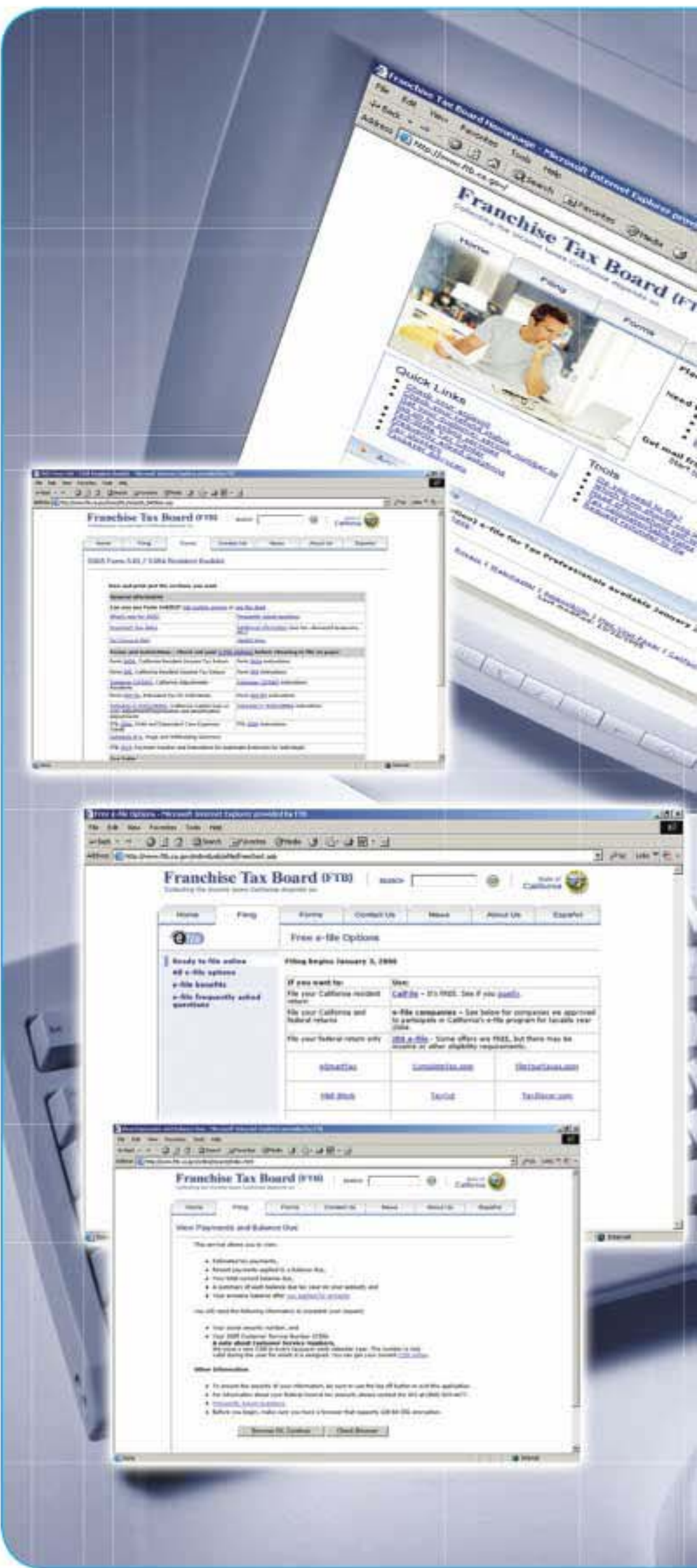
## Credit Card

You can also pay your personal income taxes by using your Discover/Novus, MasterCard, American Express, or Visa card. There is a convenience fee for this service, 2.5 percent of the tax amount being charged (minimum \$1.00). This fee is paid directly to Official Payments Corp. based on the amount of your tax payment. To find out more about using your credit card to pay, visit [www.ftb.ca.gov](http://www.ftb.ca.gov), call (800) 272-9829, or go to [www.officialpayments.com](http://www.officialpayments.com).

## Personal Assistance

We have six field offices located throughout the state. At the taxpayer service centers, you can visit the FTB and other California tax agencies and speak with a customer service representative face to face. The FTB's office hours are Monday through Friday 8 a.m. to 5 p.m.

Taxpayer Service Centers	Address	Participating Agencies
Oakland	1515 Clay St., Ste. 305	FTB, BOE
Sacramento	3321 Power Inn Rd., Ste. 250	FTB, BOE, EDD
Other Field Offices	Address	
Los Angeles	300 S. Spring Street, Suite 5704	
San Diego	7575 Metropolitan Drive, Suite 201	
San Francisco	121 Spear Street, Suite 400	
Santa Ana	600 W. Santa Ana Boulevard., Suite 300	





## Services

### **Automated Toll-Free Phone Service**

Our automated toll-free phone service is available 24 hours a day, seven days a week, in English and Spanish.

You can: order current tax forms and publications, check on the status of your refund, balance due, or payments received, and get answers to the most frequently asked tax questions.

Call ..... (800) 338-0505

For bilingual telephone assistance

Call .....(800) 852-5711

### **Hearing-Impaired Telephone Assistance**

Assistance for persons with disabilities: We comply with the Americans With Disabilities Act. Persons with hearing or speech impairments, please call TTY/TDD (800) 822-6268.

### **Volunteer Income Tax Assistance/Tax Counseling for the Elderly**

At more than 1,800 sites throughout California, trained volunteers provide free tax help to low-income, senior, disabled, military, and non-English speaking people who need to file simple federal and state income tax returns.

Visit our Website at [www.ftb.ca.gov](http://www.ftb.ca.gov) or call (800) 852-5711 to find the volunteer tax site nearest you.

## Services (continued)

### Other Telephone Services

We provide regular toll-free telephone service from 7 a.m. until 7 p.m., Monday through Friday.

From within the United States, call .....(800) 852-5711

From outside the US, call (not toll-free).....(916) 845-6500

Homeowner and Renter Assistance, call.....(800) 868-4171

For the Internal Revenue Service, call.....(800) 829-1040

### Internet Services

Our Website [www.ftb.ca.gov](http://www.ftb.ca.gov) offers a variety of e-government services. From our Website, a brief list of some of the options available allow you to:

- E-file your tax return free with us or through one of many online filing services.
- Check your tax refund status.
- Check your account status for payments made or your balance due.
- Apply for an installment payment plan for taxes owed.
- Download and print current and prior year forms and publications.

You can also email your technical tax questions through the Internet. Because of security concerns, please do not include confidential information (such as your social security number or other personal data) with your email.